

16

OIL AND GAS LEASE PAID-UP

THIS OIL AND GAS LEASE ("Lease") made on this 20 day of September 2010, between LAKE WORTH INDEPENDENT SCHOOL DISTRICT, Lessor (whether one or more), whose address is 6805 Telephone Road, Lake Worth, Texas 76135 and DALE PROPERTY SERVICES, LLC, Lessee, whose address is 500 Taylor Street, Fort Worth, Texas 76102

WITNESSETH:

1. Grant of Interest/Description. Lessor, in consideration of a cash bonus in hand paid, the royalties herein provided, and the covenants and agreements of Lessee hereinafter contained, hereby grants, leases, and lets exclusively unto Lessee for the sole purpose of exploring for, drilling, operating, and producing oil and/or gas and of laying pipelines, temporarily storing oil, building tanks (but not tank farms), power stations, telephone lines, roads and structures thereon necessary to produce, save, care for, treat and transport the oil and/or gas produced from the land leased hereunder, subject to the prohibition on use of the surface of the Leased Premises (as hereinafter defined), the following described land situated in the County of Tarrant, State of Texas, (sometimes referred to hereinafter as the "Leased Premises") to wit:

2813 NW 17th St. Belmont Park Addition Blk 135 Lot 7, Geo Ref 2300-135-7, 0.2 acres
 2815 NW 17th St. Belmont Park Addition Blk 135 Lot 8, Geo Ref 2300-135-8, 0.2 acres
 2912 NW 20th St. Belmont Park Addition Blk 140 Lot 18, Geo Ref 2300-140-18, 0.2 acres
 2915 NW 20th St. Belmont Park Addition Blk 132 Lot 8, Geo Ref 2300-132-8, 0.2 acres
 2916 NW 18th St. Belmont Park Addition Blk 138, Lot 14, Geo Ref 2300-138-14, 0.2 acres
 2914 NW 18th St. Belmont Park Addition Blk 138, Lot 15, Geo Ref 2300-138-15, 0.2 acres
 2912 NW 18th St. Belmont Park Addition Blk 138, Lot 16, Geo Ref 2300-138-16, 0.2 acres
 2906 NW 18th St. Belmont Park Addition Blk 138, Lot 19, Geo Ref 2300-138-19, 0.2 acres
 2909 NW 18th St. Belmont Park Addition Blk 137, Lot 5, Geo Ref 2300-137-5, 0.2 acres
 2907 NW 18th St. Belmont Park Addition Blk 137, Lot 4, Geo Ref 2300-137-4, 0.2 acres
 2905 NW 18th St. Belmont Park Addition Blk 137, Lot 3, Geo Ref 2300-137-3, 0.2 acres

All properties being referenced in that certain plat recorded in volume 204, page 83 of the plat records of Tarrant County, Texas.

For the purposes of calculating any bonus, royalty, shut-in royalty payments, or any other payment as provided herein, the Leased Premises shall be deemed to contain **2.2** acres, regardless of whether it actually contains more or less.

2. Term. Subject to the provisions hereinafter contained, this Lease shall be for a term of three (3) years from this date (called "Primary Term"), and so long thereafter as oil and gas, or either of them, is produced in paying quantities from the Leased Premises or acreage pooled therewith. Upon the termination or any partial termination of this Lease, Lessee shall prepare, execute and deliver to Lessor a recordable release of such acreage in accordance with Section 21 of this Lease.

At the expiration of the primary term, this Lease shall automatically terminate as to all lands

except those included in a governmental proration unit attributable to a well then producing oil and/or gas in paying quantities unless operations are then being conducted in accordance with the Continuous Development provisions of Section 4 below or the Additional Drilling or Reworking provisions of Section 5 below, in which case the terms of Sections 4 and 5 shall control.

Following the expiration of the primary term and any extension thereof which may occur in accordance with any provisions contained in this lease, rights under this lease shall terminate as to all depths 100 feet below the deepest producing formation of any well located upon the premises or on lands pooled therewith. Provided, however, if at the expiration of the primary term, Lessor is engaged in drilling an additional well or wells pursuant to the provisions of Section 4 of this Lease, then this Lease shall not terminate with respect to the depths described in this paragraph so long as development continues in accordance with the terms of Section 4 of this Lease. Furthermore, if at the expiration of the primary term, Lessee is engaged in deepening an existing well, then for purposes of this paragraph only, the deepening of an existing well will be considered a continuous development operation under Section 4 of this Lease, and so long as Lessee continues developing the Leased Premises in accordance with the terms of Section 4, the rights to the depths described in this paragraph will not terminate.

If at any time after the expiration of the primary term, any governmental proration unit assigned to a well should be reduced in size, then the Lessee shall have sixty (60) days to commence the drilling of another well or wells as described in Section 4 of this Lease, or this Lease shall automatically terminate with regard to the acreage no longer contained within the applicable proration unit. If at any time after the expiration of the primary term, should the deepest producing horizon attributable to any governmental proration unit on this Lease cease to produce, then Lessee shall have sixty (60) days to begin either deepening that well or commencing the drilling of another well or wells on that proration unit in accordance with the provisions of Section 4 of this Lease, or this Lease, insofar as it covers such proration unit, shall automatically terminate with regard to all depths below 100 feet below the deepest depth from which oil and/or gas is then being produced.

3. Delay Rentals. This is a paid-up lease and all references to delay rentals in this document are to be considered null and void.

4. Continuous Development. Upon the completion of any well as a well capable of producing oil or gas in paying quantities or as a dry hole (completion being the release of the completion rig, or if the well is a dry hole, the release of the drilling rig), Lessee shall, within one hundred eighty (180) days thereafter, commence the drilling of another well or wells on the Leased Premises (commencement being the actual spudding of the succeeding well), or, if it be within the primary term, Lessee shall commence or resume the payment of delay rentals for all acreage not otherwise being maintained under the provisions of this Lease, within one hundred eighty (180) days from the date of completion and abandonment of said dry hole or holes or the cessation of production. Failure to commence such additional well or wells within the time herein provided, or failure to resume the payment of delay rentals within the time herein provided, shall terminate this Lease ipso facto as to all lands except those included within the surface boundaries of any governmental proration unit otherwise being maintained under the provisions of this Lease. Nothing herein shall be construed to limit or modify Lessee's

obligation to drill any offset wells provided for herein.

5. Additional Drilling or Reworking. If, at the expiration of the primary term, oil and/or gas are being produced in paying quantities, but production thereafter ceases from any cause, this Lease shall not terminate as to the governmental proration unit attributable to the well or wells affected thereby if Lessee commences reworking or additional actual drilling within the Resumption Period as set forth below, and such reworking or additional drilling results in production in paying quantities by the end of the Reworking Period, as set forth below.

If, at the expiration of the primary term oil and/or gas are not then being produced from any well or wells on the Leased Premises or any lands pooled therewith, but Lessee is then engaged in operations (as defined hereinafter) on any such well or wells, this Lease shall remain in force for so long as such operations are diligently prosecuted with no cessation of more than thirty (30) consecutive days between such cessation and the resumption of such operations ("Resumption Period"). If such operations result in the production of oil or gas in paying quantities within an additional period of thirty (30) consecutive days ("Reworking Period"), this Lease shall not terminate as to the governmental proration unit attributable to the well or wells then producing oil or gas in such quantities; but this Lease shall terminate as to all other acreage unless Lessee shall have commenced drilling a new well or wells in accordance with the Continuous Development provisions of Section 4 of this Lease. Wherever used in this Lease the word "operations" shall mean operations for and any of the following: actual drilling, testing, completing, sidetracking, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas in paying quantities. If however, after the expiration of the Reworking Period, there is either no production of oil or gas or the production of such oil or gas is not in paying quantities, this Lease shall terminate with respect to such property in accordance with the terms herein.

6. Royalties. As royalty, Lessee covenants and agrees:

A. **Oil** To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, 25% of all oil and other liquid hydrocarbons (recovered or separated on the Leased Premises) produced and saved from the Leased Premises or lands pooled therewith; or, at the Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same percentage of the market value at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing in the area on the day such oil and other hydrocarbons are run from the lease stock tanks in the field, which means the general area in which the land covered by this Lease is located; provided however, there shall be no deduction from the value of Lessor's royalty by reason of any processing, treatment, trucking, transportation or other cost to market such oil and other liquid hydrocarbons.

B. **Gas**. To pay the Lessor:

On gas produced from the Leased Premises or lands pooled therewith, Lessor shall receive 25% of the higher of (a) the gross proceeds of sales at the wells; or (b) the market value of such gas.

C. **Market Value**. The market value of all gas shall be the gross proceeds actually paid on sales of such gas so long as (A) Lessee has negotiated in good faith to obtain a contract for the sale of such gas with an independent third party that is not an Affiliate of Lessee that provides for (i) a purchase price equal to the market value of such gas prevailing on the date of the contract in the field or general area where the well is located and (b) redetermination of the purchase price not less often than annually during the term of such contract based upon (i) the market value of such gas prevailing on such redetermination date in the field or general area where the well is located, or (ii) the maximum ceiling price as permitted under federal or state law or valid regulation applicable to such gas, or (B) a contract for the sale of such gas that has been approved in writing by Lessor. Notwithstanding anything to the contrary, "market value" shall be determined at the specified location of the well and by reference to the gross heating value (measured in British thermal units) and quality of the gas and shall be based upon sales to a purchaser that is not an Affiliate of Lessee. In the event the purchaser of gas is an Affiliate of Lessee, "market value" shall mean the highest price being paid on the date of production under a gas purchase contract covering lands within the same Railroad Commission District in which the Leased Premises is located. The market value used in the calculation of all royalty under this Lease shall never be less than the total proceeds received by Lessee in connection with the sale, use or other disposition of oil or gas produced or sold from the Leased Premises. If Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, the proportionate part of such reimbursement amount shall be added to the total proceeds received by Lessee for purposes of this subsection. If Lessee realizes proceeds of production after deduction for any expenses of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage or marketing, then the proportionate part of such deductions shall be added to the total proceeds received by Lessee for purposes of this subparagraph.

D. Notwithstanding anything to the contrary, Lessor's royalty shall never bear, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage or marketing of the oil or gas produced from the Leased Premises or lands pooled therewith, nor any part of the costs of construction, operation or depreciation of any plant or other facilities or equipment used in the handling of oil or gas produced from the Leased Premises or lands pooled therewith.

E. If the gas produced from the Leased Premises is sold by Lessee pursuant to an arms-length contract with a purchaser which is not an Affiliate of Lessee, and the contract provides for (i) net proceeds to be paid to Lessee which equal or exceed the market value of the gas at the purchaser's point of delivery at the time such contract is entered into, and (ii) a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to such contract shall be the total proceeds received by Lessee in such sale, subject to the provisions of Subsection 6(C) above. "Affiliate" as herein used means (i) another corporation, joint venture, partnership, or other entity which owns more than ten percent (10%) of the outstanding voting securities or interest of Lessee or in which Lessee owns more than ten percent (10%) of the outstanding voting securities or interest; or (ii) another corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent (10%) of the outstanding voting securities or interest of both Lessee and such other corporation, joint venture, partnership, or other entity are owned or controlled by the

same persons or group of persons.

F. Notwithstanding the above provisions, if either oil or gas is sold by the first purchaser to a third party and title to such oil or gas passes to such third party in the county where the land covered by this lease is located, the royalties received by Lessor shall be the higher of the amount Lessor would otherwise receive under the formula set forth above or the price which such third party pays the first purchaser for the oil and gas produced.

7. Payment of Royalties. With respect to each well on the Leased Premises or on land pooled therewith, initial royalty payments for oil and/or gas shall be made on or before the end of the third calendar month following the month of first production. Thereafter, all royalties which are required to be paid hereunder to Lessor shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the end of the first calendar month following the month of production, and royalty on gas shall be due and payable on or before the end of the second calendar month following the month of production. Each royalty payment shall be accompanied by a check stub, schedule, summary or remittance advice identifying the Lease and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas. A copy of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts shall be delivered to Lessor within thirty (30) days after entering into or making such contracts, agreements or amendments. The books, accounts and all other records pertaining to production, transportation, sale and marketing of oil or gas from the Leased Premises shall at any time during normal business hours be subject to inspection and examination by Lessor. If payments to be made by Lessee to Lessor are not made when due for whatever reason, the unpaid portion shall bear interest at the lower of the prime rate at 3.25 plus 2%, or the highest rate allowed by law; provided, however, that if any payment due Lessor hereunder (including amounts in dispute, subject to refund), provided that such payment due (including amounts in dispute, subject to refund) exceeds \$25.00, shall remain unpaid for a period of six (6) months, Lessee shall be in default hereunder and title shall revert back to Lessor, whether such breach occurs during the Primary term or thereafter, and Lessee shall thereupon furnish to Lessor a release of all of its interest in and to this Lease as provided in Section 21. If Lessee is in default hereunder and this matter is turned over to an attorney for collection, or is collected by suit, Lessee agrees to pay all attorney fees incurred by Lessor. Payments may be remitted to Lessor annually for the aggregate of up to twelve months' accumulation of proceeds if the total amount owed is \$25.00 or less. Any and all payments made hereunder shall be made to Lessor according to the terms of **Paragraph 35** herein.

8. Limitation to Oil and Gas. This Lease is intended to cover only oil and gas, but some other substances (including helium and sulphur) may be produced necessarily with and incidental to the production of oil or gas from the Leased Premises; and, in such event, this Lease shall also cover all such other substances so produced. On all such substances so produced under and by virtue of the terms of this Lease, Lessor shall receive a royalty of one-quarter (1/4) of all such substances so produced and saved, same to be delivered to Lessor, free of all costs; or, at Lessor's election, Lessor's one-quarter (1/4) of such substances shall be sold by Lessee with Lessee's portion of such substances and at the same profit realized by Lessee for its portion of such substances.

9. Gas Contracts. Lessee agrees that it will not enter into any contracts for the sale of production from this Lease which shall extend more than three (3) years from the effective date of such contract, unless such contract has adequate provisions for redetermination of price at least every three (3) years to assure the production from this Lease is not being sold for less than the then current fair market value of the production being sold.

10. Separation of Liquids. All gas produced from the Leased Premises or lands pooled therewith shall, before the same is sold or used for any purpose or is transported from the Leased Premises or pooled unit, be passed through a mechanical separator system situated on the Leased Premises or on any lands pooled therewith, designed and operated to effect the maximum economical recovery of liquid hydrocarbons there from. All condensate, distillate, natural gasoline, kerosene, and all other liquid hydrocarbons and mixtures thereof produced with gas from the Leased Premises or lands pooled therewith and separated from such shall be considered oil for all purposes of Subsection 6(A) above.

11. Right to Take Production in Kind. Lessor shall always have the right, at any time and from time to time, upon reasonable written notice to Lessee, to take Lessor's share of oil, gas and processed liquids in kind. Lessor may elect to take Lessor's gas in kind at the well or at the point of delivery where Lessee delivers Lessee's gas to any third party. If gas is processed, Lessor may elect to take Lessor's share of the residue gas attributable to production from the Leased Premises, at the same point of delivery where Lessee receives its share of residue gas or has its share of residue gas delivered to a third party. Lessor may elect to have its royalty share of processed liquids stored in tanks at the plant or delivered into pipelines on the same basis as Lessee's share of liquids is stored or delivered. Lessor shall reimburse Lessee for all reasonable costs incurred by Lessee in installing, operating or maintaining additional facilities necessary for Lessor's royalty gas and processed liquids to be separately metered, accounted for, and delivered to a third party, but Lessor shall not be charged for any expense in the production, gathering, dehydration, separation, compression, transportation, treatment, processing or storage of Lessor's share of gas and processed liquids along with Lessee's share of gas and processed liquids.

12. Shut-in Payments. While there is a well on the Leased Premises or lands pooled therewith capable of producing gas in paying quantities but the production thereof is shut-in, shut-down or suspended for lack of a market, or because of government restrictions, then, and in any such event, Lessee may pay as shut-in royalty on or before ninety (90) days after the date on which (1) production from any such well is shut-in, shut-down or suspended; or (2) this Lease is no longer maintained by compliance with one of the other preservation provisions hereof, whichever is the later date, and thereafter at annual intervals the sum of Twenty-Five Dollars (\$25.00) per net mineral acre per proration unit per well, or Fifty Dollars (\$50.00) per well whichever is greater, for each and every shut-in, shut-down or suspended well. If such payment is made in accordance with the terms hereof, this Lease shall not terminate, but shall continue in force for a period of one (1) year from the date of making such shut-in payment (subject to the exceptions set out hereafter) and it will be considered that gas is being produced from the Leased Premises in paying quantities within the meaning of each pertinent provision of this Lease. Provided, however, in no event shall shut-in well payments maintain this Lease in force for a period exceeding two (2) years cumulative. Any shut-in royalty payment shall not be a credit against production nor be credited with prior production royalty. In the event that production is begun or

resumed during the year following the payment of a shut-in royalty payment and is subsequently shut-in, during such year the second annual shut-in payment shall be due and payable on the anniversary date of the first payment. If there is production on such first anniversary date and the well is subsequently shut-in, shut-down or suspended, then the second shut-in payment shall be made on or before ninety (90) days after such new shut-in date or the Lease shall terminate. Notwithstanding anything to the contrary set out above, should the shut-in period extend beyond the expiration of the primary term such shut-in provision will maintain the rights granted by this Lease only to the producing units and horizons of such gas well(s) as if they were producing gas in paying quantities pursuant to Section 2 above. Should such shut-in royalty payments not be made in a timely manner as provided for above, then, in that event, it shall be considered for all purposes that there is no production of gas from any such well or wells and, unless this Lease is being maintained by any other preservation provision hereof, this Lease shall terminate automatically at midnight on the last day provided for the payment of such shut-in royalties, and Lessee shall thereupon furnish to Lessor a release of all of its interest in and to this Lease as provided in Section 21. Notwithstanding anything to the contrary set out above, should Lessee be entitled to pay shut-in royalty payments on more than one well or unit on or pooled with this Lease, then Lessee's failure to make such shut-in royalty payment on one well or unit for which Lessee has not executed a release in accordance with the terms of Section 21 of this Lease, shall be deemed a failure to timely make all shut-in royalty payments permitted hereunder and this Lease shall automatically terminate except as to all or any portion of this Lease which is maintained by any other provision hereof.

13. Pooling. Lessee is hereby given the right and power to pool or combine the acreage covered by this Lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when it is necessary or advisable to do so in order to properly explore, or develop, produce and operate said Leased Premises in compliance with the spacing rules of the appropriate lawful authority, or when to do so would promote the conservation of oil and gas in and under and that may be produced from said premises. In the absence of field rules, units pooled for oil hereunder shall not substantially exceed 80 acres each in area plus a tolerance of ten percent (10%) thereof, and units pooled for gas hereunder shall not substantially exceed in area ~~160~~⁸⁰⁰ acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, for the drilling or operations of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine the total acreage covered by this Lease or any portion thereof (provided that should a portion of the Leased Premises be pooled, such portion shall not consist of less than one-half (1/2) of the total net mineral acres of the Leased Premises), as above provided as to oil in any one or more strata and as to gas in any one or more strata. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this Lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the Leased Premises are situated an instrument describing the pooled acreage as a pooled unit. In this regard, Lessee shall provide Lessor with a copy of any and all documents filed with any regulatory authority or recorded in the records of any county within thirty (30) days of filing such documents. Upon the recordation of the unit in

the county records and the timely furnishing of the copies required herein to Lessor the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the Leased Premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this Lease, such operations shall be considered as operations for drilling on or production of oil and gas from land covered by this Lease whether or not the well or wells be located on the premises covered by this Lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of this Lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, there shall be allocated to the land covered by this Lease and included in said unit (or to each separate tract within the unit if this Lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be on oil and gas, or either of them, so allocated to the land covered by this Lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from this Lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from this Lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any delay rental or shut-in production royalty which may become payable under this Lease. If this Lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this Lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as provided above. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the Leased Premises.

Notwithstanding anything to the contrary contained herein, drilling operations on or production from a pooled unit or units established under the provisions of this **Paragraph 13**, embracing land covered hereby and other land, shall maintain this Lease in force only as to the land included in this Lease, the lease may be maintained as to the remainder of the land in any manner herein provided for, provided that if it be by rental payment, rentals shall be payable only on the number of acres not included in such unit or units. In the event this lease is in force at the end of the primary term as to lands covered by this Lease, but not in a unit or units, this lease will terminate as to such land (as more particularly described below) and Lessee within a reasonable period of time shall file of record a release of such land as provided in Section 21, unless such land is held by some other provision of this Lease. Upon the expiration of the primary term, whether extended pursuant to other provisions of this Lease, this Lease shall terminate for such lands that are: (1) not included in a pooled unit; and (2) all depths below 100 feet below the

deepest producing common source of supply of hydrocarbons penetrated by a well located on said land or property pooled therewith unless this Lease is maintained as to such remaining depths or acreage by production or drilling or reworking operations pursuant to the terms of this Lease.

14. Assignability. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns of the parties hereto. Lessee shall furnish Lessor a copy of any assignment made pursuant to this section, with the recording data reflected thereon (if recorded). Assignment of this Lease or any part thereof shall not relieve Lessee, its assignees, or any sub-assignees of any obligations hereunder, theretofore accrued or to accrue in the future; and any assignee of Lessee shall, by acceptance of such assignment, be bound by all terms and provisions hereof.

No change or division in ownership of the Leased Premises, rentals or royalties however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, nor shall any such change or division be binding upon Lessee for any purpose until the person acquiring any interest has furnished Lessee with a certified copy of the instrument or instruments constituting his chain of title from Lessor.

15. Duty to Develop. The drilling of a well or wells within the broad language of this Lease shall not be construed as an agreement or construction on the part of Lessor that such drilling would constitute reasonable development of the Leased Premises, and Lessee agrees to drill any and all wells on the Leased Premises, or such portion or portions thereof as may be in force from time to time, as may be necessary to reasonably explore and develop the same for the production of oil and gas. In the event a well or wells producing oil or gas should be brought in on adjacent land and draining the Leased Premises, Lessee agrees to drill such offset wells as a reasonable prudent operator would drill under the same or similar circumstances. If oil and/or gas are discovered on the land covered by this Lease, or on land pooled therewith, Lessee agrees to further develop said land covered by this Lease as a reasonable prudent operator would under the same or similar circumstances.

16. Damages and Restoration. Lessee shall pay Lessor for all damages and losses caused by operations hereunder to timber, permanent pastures, livestock, growing crops, fences, water and irrigation wells, including but not limited to damages for roads, locations, pipelines, etc. on or across the lands and to any physical structures on the land caused by any and all operations under this Lease. Damages will be the greater of the market value or replacement cost of the item diminished or destroyed or the normal amount for damages in the area for like items. Lessee will restore the land to its former condition as nearly as possible after the completion and after the plugging and abandonment of each well, and after the abandonment of this Lease. Lessee shall not be permitted to drill any well or construct any road or install any pipeline on or under the surface of the Leased Premises, except in accordance with **Paragraph 31** hereunder.

17. Water. Lessee shall have the free use of water from the Leased Premises except fresh water from Lessor's wells, tanks, creeks, rivers, streams and springs, for all operations solely on the Leased Premises, provided that no surface water or underground fresh water from this Lease will be used for water flood or pressure maintenance purposes. Lessee shall comply with all

applicable rules in disposition (by reinjection or otherwise) of salt water, brine or other fluids utilized in or resulting from operations, and shall not cause or permit any such substances to damage or pollute the surface of the Leased Premises or any fresh water sands lying there under.

18. Division Order Title Opinions. If a well is producing or capable of producing in paying quantities, Lessee shall automatically deliver to Lessor a copy of any Division Order title opinions and any revisions or supplements thereto within thirty (30) days of receipt of same by Lessee.

19. Notifications Required. Lessee shall advise Lessor in writing of the location of each well to be drilled upon the Leased Premises or on land pooled therewith on or before seven (7) days after commencement of operations, and shall advise Lessor in writing the date of completion and/or abandonment of each well drilled on the Leased Premises or on land pooled therewith (such notice shall include furnishing Lessor a copy of the applicable completion or plugging report filed with any governmental or regulatory agency) within thirty (30) days after completion or abandonment. As to any well drilled under the provisions of this Lease, Lessor, or Lessor's representatives, or any one or more of the same, shall have access to such well and upon request shall be furnished with copies of daily drilling reports. Such reports and information shall be furnished within seven (7) days after the same are obtained or compiled by Lessee. In addition, Lessee shall upon written request furnish Lessor within thirty (30) days from the date of the request or thirty (30) days from the date that the data is received by Lessee:

A. Plats or maps showing the location of the well on this Lease or lands pooled therewith.

B. The details of any drillstem tests taken in said well, and the results of any core analysis or analyses which shall be run on any cores taken while drilling said well.

C. Upon commencement of any drilling or reworking operations on this Lease or lands pooled therewith with copies of all reports filed with the appropriate governmental authority or other governmental agency having jurisdiction in connection with such operation.

D. Upon completion of any drilling or reworking operations on this Lease or lands pooled therewith, with copies of all logs run in such well and copies of core or other type of formation analysis subject to a confidentiality obligation on Lessor's part if filed as confidential with the appropriate governmental authority.

E. It is understood and agreed that all information provided Lessor herein is proprietary and is to be held in confidence.

20. Force Majeure. Lessee shall not be liable for delays or defaults in its performance of any agreement or covenant hereunder due to force majeure. The term "force majeure" shall mean any of the following, provided that such event is not caused by or attributable in part by any act or omission of Lessee: Any act of God including but not limited to storms, floods, washouts, landslides, and lightning; act of the public enemy; wars, blockades, insurrection or riots; strikes or lockouts; epidemics or quarantine regulations; laws, acts, governmental orders or requests of Federal, State, Municipal or other governments or governmental officers or agents under the color of authority requiring, ordering or directing Lessee to cease drilling, reworking or producing operations. The term "force majeure" shall not include lack of markets for production or any other events affecting only the economic or financial aspects of drilling, development or

production. For a period of sixty (60) days after termination of an event of force majeure, each and every provision of this Lease that might operate to terminate it or the estate conveyed by it shall be suspended and inoperative and this Lease shall continue in full force, provided, however, that in no event will the primary term be extended unless Lessee has begun the actual drilling of a well prior to the date of the expiration of the primary term.

21. Releases Required. Within thirty (30) days after the partial termination of this Lease as provided under any of the terms and provisions of this Lease, Lessee shall deliver to Lessor a plat showing the production units designated by Lessee and a fully executed recordable release properly describing by metes and bounds the lands and depths to be retained by Lessee around each producing well. If this Lease terminates in its entirety, then Lessee shall deliver a complete, fully executed, recordable release to Lessor within thirty (30) days. If such release complies with the requirements of this section, Lessor shall record such release. The term "recordable" or "recordable form" as used in this Lease means a fully executed instrument in a form or format acceptable for filing in the Real Property Records and Oil and Gas Records, if any, in Tarrant County, Texas.

22. Indemnification. LESSEE, ITS SUCCESSORS AND ASSIGNS, AGREES TO INDEMNIFY, DEFEND AND HOLD HARMLESS LESSOR, ITS SUCCESSORS AND ASSIGNS, FROM AND AGAINST ANY AND ALL DAMAGES, CLAIMS, LOSSES, LIABILITIES, FINES, COSTS, EXPENSES (INCLUDING ATTORNEYS FEES AND EXPENSES) OCCASIONED BY, ARISING OUT OF, RESULTING FROM, OR IN CONNECTION WITH ACTIVITIES AND OPERATIONS OF OR FOR LESSEE, ITS AGENTS, CONTRACTORS, OR SUBCONTRACTORS HEREUNDER, REGARDLESS OF THE CAUSE OF SUCH DAMAGES, CLAIMS, LOSSES, LIABILITIES, FINES, COSTS, OR EXPENSES, ON SAID LEASED PREMISES OR PROPERTY POOLED THEREWITH OR IN ANY WAY RELATING TO THIS LEASE. THIS PROVISION AND ITS INDEMNITIES SHALL SURVIVE THE TERMINATION OF THIS LEASE AND SHALL INURE TO THE SUCCESSOR, HEIRS AND ASSIGNS OF LESSOR AND LESSEE.

23. No Warranties of Title. This Lease is made without warranties of any kind, either express or implied. Lessor agrees that Lessee, at its option after Lessee has given Lessor sixty (60) days' written notice delivered by certified mail, return receipt requested, may discharge any unpaid, delinquent tax, mortgage or other lien upon the Leased Premises, either in whole or in part, and in the event Lessee does so, it shall be subrogated to such lien with right to enforce same, subject to any defenses of Lessor, and may apply royalties accruing hereunder toward satisfying same.

24. Compliance with Environmental Laws and Regulations. Lessee, its successors and assigns, by its acceptance of this lease, hereby agrees to comply with all applicable laws, rules and regulations and hereby assumes full responsibility for, and agrees to indemnify, defend and hold harmless, Lessor from and against any loss, liability, claim, fine, expense cost (including attorneys fees and expenses) and cause of action caused by or arising out of the violation (or defense of the alleged violation) of any federal, state or local laws, rules or regulations applicable to any waste material, drilling matter fluid or any hazardous substances released or caused to be released by Lessee or Lessee's agents, or independent contractors from the land leased hereunder into the atmosphere or into or upon the land or any water course or body of water, including

ground water. Additionally, upon receiving any notice regarding any environmental, pollution or contamination problem or violation of any law, rule or regulation, Lessee will forward a copy to Lessor by certified mail within thirty (30) days. This provision and its indemnities shall survive the termination of this Lease, and shall enure to the successors, heirs and assigns of Lessor and Lessee.

25. No Salt Water or Waste Injection Wells. Lessee shall not be permitted to dispose of salt water or produced wastes or wastes of any kind into any formation or strata on this Lease, save and except for the salt water produced from the lands contained in this Lease, but not including any lands pooled herewith.

26. Timely Plugging and Abandonment of Wells. Without the prior written consent of the Lessor, Lessee shall not allow any well located on the Leased Premises to remain in a shut-in, temporarily abandoned or otherwise non-productive state for a period of more than six (6) months from the date of last production or the time permitted by the rules and regulations of the applicable regulatory authority, whichever is less, without beginning plugging and abandonment operations with respect to the well and restoring the location, and providing that these procedures must be completed within two (2) months of their initiation. The only exception to this shall be gas wells capable of production which are shut-in pursuant to the provisions of Section 12 above regarding shut-in royalties, and for which shut-in payments are being made in accordance with those same provisions. Violations of this provision will be considered a material breach and will serve to terminate this lease. Lessee shall protect all fresh water sands, and shall properly plug and abandon all wells on lands pooled with said land in accordance with the rules and regulations of the Railroad Commission of Texas, the Texas Natural Resources Conservation Commission or other governmental agency having jurisdiction thereof.

27. Alteration /Modification. The terms of this Lease cannot be altered or amended except by a written instrument clearly demonstrating such purpose and effect, and executed by both parties to this Lease. The written instrument shall describe the specific terms or provisions being altered and the proposed modification or change thereto. Any notation or legend attached to a royalty check shall be null and void and without legal significance for the purpose of altering this Lease Agreement.

28. Ancillary Rights. Lessee shall have the right for a period of six (6) months following the expiration of this Lease or the release of any lands covered by this Lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. If Lessee does not remove all property within six (6) months, Lessor shall have the option to either claim the property, in whole or in part, as his own or having the said properties and fixtures removed, in whole or in part, at Lessee's expense. If the property is opted to be removed, additional expenses for surface damages and restoring the land shall be charged to Lessee, provided, however, Lessee shall not be relieved of its liability to plug any well so abandoned.

29. Governmental Proration Unit. The term "governmental proration unit" and/or "proration unit" where used in this lease, absent pooling and field rules, shall mean i) **eighty (80)** acres plus a tolerance of ten percent (10%) surrounding each well classified as an oil well by the appropriate governmental authority; and ii) one hundred sixty (160) acres plus a tolerance of ten

percent (10%) surrounding each well classified as a gas well by the appropriate governmental authority. In the event of pooling, the term "governmental proration unit" and/or "proration unit" shall mean and refer to all lands included within a pooled unit formed under Paragraph 13. hereof.

30. Split Stream Contracts. In the event that gas produced under the terms of this lease is sold under multiple gas purchase contracts, "split stream contracts," Lessor, at its option, may require that all Lessees who are selling gas produced under the terms of this lease designate a single Lessee to pay all royalties due to Lessor under this lease.

31. Waiver of Surface Rights. Notwithstanding anything contained herein to the contrary, Lessee hereby understands and Lessor and Lessee hereby agree that Lessee, its successors and assigns, shall not enter upon nor use the Leased Premises for conducting any surface or drilling operations hereunder, and Lessee expressly and affirmatively waives any and all rights to use the surface of the Leased Premises for exploration, production or transportation, or any other use in connection with the exploration, development or production of oil or gas from the Leased Premises. Any production from the Leased Premises shall be by way of pooling and/or unitization as provided in this Lease, or by directional drilling from a surface location on other lands and lands bottomed under the Leased Premises. Lessee hereby agrees that no well shall be drilled within two hundred (200) feet of any existing structure, building or residence on the Leased Premises.

32. Option to Extend Oil and Gas Lease. Notwithstanding anything herein contained to the contrary, if at the expiration of the primary term of this lease, this lease has not been, or is not being extended pursuant to any of its provisions, then Lessee, its successors or assigns shall have the option to extend the primary term of this lease, as to all or any portion of the lands covered hereby, for an additional two (2) year(s) by paying or tendering to Lessor by check the sum of \$500.00 multiplied by the net mineral acres subject to this lease as to which Lessee desires to extend this lease. Said payment or tender shall be made on or before the expiration date of the initial primary term. If Lessee extends this lease as herein provided, it shall be considered that the primary term is five (5) years.

33. Other Minerals. Notwithstanding anything to the contrary contained herein, this Lease only covers oil and natural gas and associated liquid or gaseous hydrocarbons necessarily produced in connection with the extraction of oil and natural gas. THIS LEASE DOES NOT COVER ANY OTHER SUBSTANCES ON OR BELOW THE SURFACE OF SAID LAND, WHETHER LIQUID, SOLID OR GAS WHICH MAY NOW OR THEREAFTER BE PRODUCED IN ANY QUANTITIES, WHETHER COMMERCIAL OR OTHERWISE, FROM SAID LAND, INCLUDING, WITHOUT LIMITATION, URANIUM, VANADIUM, THORIUM, OR OTHER FISSIONABLE MATERIALS, IRON ORE, COAL, LIGNITE, COPPER, SILVER, GOLD, SAND, CLAY, LIMESTONE, GRAVEL OR CRUSHED ROCK.

34. Texas law. This Lease shall be governed by, and shall be construed in accordance with, the laws of the State of Texas. The venue and jurisdiction of any suit concerning or arising out of this Lease shall be in Tarrant County, Texas. In the event of litigation hereunder, the prevailing party shall be paid the attorney's fees of its own attorney and the attorney for the non-prevailing

party.

35. Payments to Lessor. Any and all payments to be made hereunder to or on behalf of Lessor, or its successors or assigns, including but not limited to royalties, shut-in royalties, bonuses, and extension payments, shall be made in cash or check payable to Lessor at the following address:

Lake Worth Independent School District
c/o Chief Financial Officer
6805 Telephone Road
Lake Worth, Texas 76135

Any references herein to other places or manner of payment, including but not limited to references to "Bank" or "bank account" of Lessor, except any references relating to the rates of interest of such bank, shall not apply to payments to Lessor, or its successors or assigns, under this Lease.

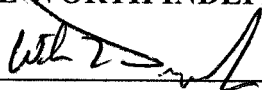
36. Approved by Board Resolution. The terms and obligations recited herein were approved by a resolution of Lessor's Board of Trustees at a duly called and noticed Board meeting held in accordance with the Texas Open Meetings Act on 9-20-2010.

37. Memorandum of Lease: The parties hereto agree to execute a memorandum of this Lease for recording purposes. The Lessee's recordation of the Memorandum of Lease or the recordation of this Lease shall constitute acceptance of all of the covenants and conditions contained in this Lease and shall further evidence Lessee's agreement to perform all the covenants contained herein.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.


LESSOR:

LAKE WORTH INDEPENDENT SCHOOL DISTRICT



Wilson Daggs
President, Lake Worth ISD Board of Trustees

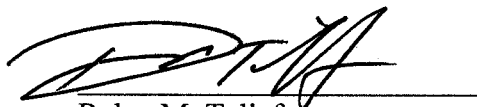
ATTEST:



Donna Hutson
Secretary, Lake Worth ISD Board of Trustees

LESSEE:

Dale Property Services, LLC



Raley M. Taliaferro
Executive Manager
Dale Property Services, LLC

ACKNOWLEDGMENTS

STATE OF TEXAS §
 COUNTY OF TARRANT §

This instrument was acknowledged before me on the 20th day of September 2010 by
 Wilson Daggs, President, Lake Worth Independent School District Board of Trustees.



Laura Morris Litton

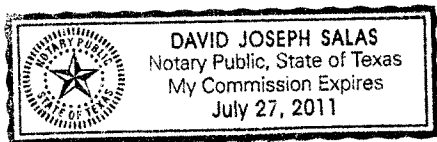
Notary Public, State of Texas

Notary's name (printed): Laura Morris Litton

Notary's commission expires: 6-23-2012

STATE OF TEXAS §
 COUNTY OF TARRANT §

This instrument was acknowledged before me on the 5th day of OCTOBER 2010, by
RALEY M. TALIAFERRO, EXECUTIVE MANAGER OF DALE PROPERTY
SERVICES, LLC, A LIMITED LIABILITY COMPANY



David Joseph Salas

Notary Public, State of Texas

Notary's name (printed): DAVID JOSEPH SALAS

Notary's commission expires: JULY 27, 2011

DALLAS\290770.1

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

DALE RESOURCES
500 TAYLOR ST #600
FT WORTH, TX 76102

Submitter: DALE RESOURCES LLC

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 10/15/2010 9:42 AM

Instrument #: D210254998

LSE

17

PGS

\$76.00

By: _____

Suzanne Henderson

D210254998

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: AKCHRISTIAN